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ABSTRACT

A study reviewed selected aspects of the State University of New York's (SUNY) Educational Opportunity Center (EOC) program from April 1, 1988, through January 31, 1992. Objectives were to evaluate program cost and effectiveness and level of involvement of SUNY Central Administration's Office of Special Programs and sponsoring college officials in monitoring center operations and helping centers to improve program outcomes. The study focused on comparison of performance statistics reported from all program sites and observations at two selected sites in Brooklyn and Manhattan. Findings indicated that lack of adequate management oversight resulted in unnecessary expenditures and poor program outcomes. Review of transactions, contracts, a lease agreement, and other documents related to renovation of a facility rented by the Brooklyn Center disclosed about $1 million in state funds were spent without benefits received. Analyses of center costs per student program completion disclosed costs ranging from $2,966 to $8,564. Similar variances in program effectiveness statistics were reported: Buffalo placed 38 percent of its vocational students in jobs, whereas Brooklyn placed 7 percent. A major factor contributing to varying costs and results may have been that centers were not held accountable for their performance. Visits to the Brooklyn and Manhattan Centers showed that the centers greatly overstated program outcomes. (The full text of SUNY officials' response to this report is appended.) (YLB)

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State of New York
Office of the State Comptroller

Division of Management Audit

Report 93-D-16

The Honorable D. Bruce Johnstone
Chancellor
State University of New York
State University Plaza
Albany, NY 12246

Dear Chancellor Johnstone:

The following is our study of the State University of New York's Educational Opportunity Center program.

This study was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law.

This report was prepared under the direction of John T. Walsh, Audit Director. Major contributors are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit

December 10, 1993

Executive Summary

State University of New York
Staff Study On The Educational Opportunity Center Program

Background

The State University of New York's (SUNY) Educational Opportunity Center program provides vocational, academic and remedial training to educationally and economically disadvantaged individuals in centers located throughout the State. Each center is administered by a sponsoring college; the sponsoring college can be a City University of New York (CUNY), SUNY or community college. The program's nine centers are located in the State's larger metropolitan areas. For the year ended June 30, 1991, the program expended about $30 million and had a total student enrollment of 14,000. One supervisor and a program director from SUNY Central Administration's Office of Special Programs (OSP) administer the program.

Objectives of the Study

We addressed the following questions about SUNY's Educational Opportunity Center program:

- Are the centers effective in helping students obtain employment or educational advancement?

- Do program reports accurately reflect program results?

- Is SUNY oversight effective in containing program costs and ensuring accountability for program performance?

Our study focused on comparisons of performance statistics reported from all program sites and observations at two selected sites in Brooklyn and Manhattan. This study is intended to provide insights that may assist SUNY in producing more effective services through this program.

Study Observations and Conclusions

We found that the lack of adequate management oversight has resulted in unnecessary expenditures and poor program outcomes. Our review of the transactions, contracts, a lease agreement and other documents related to the renovation of a facility rented by the Brooklyn Center disclosed that between September 1, 1986 and December 31, 1991, about $1 million in State funds were spent without benefits received. In this case, $600,000 in construction related costs and $500,000 in increased lease costs were incurred for additional space that was never made available. (see pp 3-7)

Further, our analyses of center costs per student program completion for the three-year period ended June 30, 1991, disclosed costs ranging from $2,966 per student at Syracuse to $8,564 per student at Rochester. We also found similar variances in program effectiveness statistics. For example, during the three-year period ended June 30, 1991, Buffalo reportedly placed 38 percent of its vocational students in jobs, while Brooklyn reportedly placed only 7 percent. We believe that a major factor contributing to these varying costs and results was that the centers were not held accountable for their performance. Though both the Legislature and our prior audit report, issued in September 1987, recommended that OSP establish measurable performance standards, we found that OSP has not done so. (see pp 8-11)

Furthermore, when we visited the Brooklyn and Manhattan Centers we found that the centers greatly overstate program outcomes giving the impression that the program is much more successful than it is. For example:

- For the three years ended June 30, 1991, the Brooklyn Center reported that 3,029 students had completed the requirements of a program, the second highest rate in the state. However, the Center significantly overstated these positive results; we found at least 1,132 of the reported students did not meet the requirements of their programs.

- The Manhattan Center overstated overall program success by about 50 percent for the year ended June 30, 1991. It reported that 517 students had completed a program or had been placed in a job or college. We found this number was actually 342. (see pp 14-16)

Comments of SUNY Officials

A draft copy of this report was provided to SUNY officials for their review and comment. Although the officials generally agree with the recommendations, they do not agree with some of the report observations. Overall their response is very positive, indicating various actions that have or will be taken that are consistent with the intent of the recommendations to improve program operations. Their comments, where appropriate, are shown parenthetically in the related sections of the report. The full text of SUNY's response to our draft study report is included as Appendix B.

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Introduction

Background

The State University of New York's (SUNY) Educational Opportunity Center (EOC) program was established by the Legislature in 1973 to help educationally and economically disadvantaged persons obtain training to qualify them for initial employment, improved employment opportunities, or entry into college. The centers provide basic education courses as well as counseling, referral, and other support services. The EOC Program should be a valuable resource, not only to disadvantaged individuals receiving basic job training and education, but also to the communities in the State that receive skilled, productive citizens.

Each center is sponsored by either a SUNY, City University of New York (CUNY) or community college. A sponsoring college administers a center according to the terms of a contract or memorandum of understanding (MOU). Both the contract and MOU delineate the responsibilities of each party: SUNY provides program oversight, the sponsoring college administers center operations, and the center provides the services. There are nine centers: Buffalo, Rochester, Syracuse, Long Island (sponsored by SUNY colleges), Capital District, Westchester (sponsored by community colleges), and Bronx, Manhattan, and Brooklyn (sponsored by CUNY colleges).

SUNY Central Administration's Office of Special Programs (OSP) allocates funds, monitors budgets and administers EOC program operations. A program director and a supervisor are responsible for these activities. For the program year ended June 30, 1991, SUNY reported expenditures of approximately $30 million for an enrollment of 14,000 students.

Scope, Objectives and Methodology of Study

We reviewed selected aspects of SUNY's Educational Opportunity Center program for the period April 1, 1988 through January 31, 1992. The objectives of our study were to evaluate program cost and effectiveness and to determine the level of involvement by OSP and sponsoring college officials in monitoring center operations and in helping the centers to improve program outcomes. To accomplish these objectives, we analyzed data from reports submitted by the nine centers to OSP for the three years ended June 30, 1991. We selected and compared program outcomes used by OSP as indicators of program success, such as program completion, job and college placement, attrition (the dropout rate), as well as program

expenditures. Our study also included reviews of SUNY guidelines and annual reports, center reports and student records, and discussions with SUNY and center officials. We also conducted site visits to the Manhattan and Brooklyn Centers.

Comments of SUNY Officials

A draft copy of this report was provided to SUNY officials for their review and comment. Although the officials generally agree with the recommendations, they do not agree with some of the report observations. Overall their response is very positive, indicating various actions that have or will be taken that are consistent with the intent of the recommendations to improve program operations. Their comments, where appropriate, are shown parenthetically in the related sections of the report. The full text of SUNY's response to our draft study report is included as Appendix B.

Program Oversight

SUNY, sponsoring colleges and program centers collaborate to manage the EOC program, providing oversight, administration and teaching services, respectively. Our study found that SUNY's oversight of the EOC program was not adequate.

One outcome of lack of adequate oversight was the unnecessary expenditure of about $1 million in State funds at the Brooklyn Center for planned center renovations which never materialized. In addition, SUNY has not provided performance standards or staffing guidelines, so that there are wide variances in costs per student program completion. There are similar variances in program effectiveness statistics; for example, during the three-year period ended June 30, 1991, Buffalo reportedly placed 38 percent of its vocational students in jobs, while Brooklyn reportedly placed only 7 percent. Also, SUNY OSP does not hold center staff accountable for poor program results.

Sponsoring colleges' administration of programs at the sites we visited has also been inadequate. We found that some problems identified by one center official in 1986 continue to exist today. Also, at the sites we visited, neither the college sponsors nor OSP verifies reported center placements and program completions. The unverified data, as reported by the centers, is compiled annually by OSP and sent to the Legislature to document program achievement. However, we found that program achievements were significantly overstated at the two centers we visited.

(SUNY officials raised concern that this study report is unbalanced because it focuses on only two of the nine EOC centers. However, we are reporting on program-wide problems we identified based on our analysis of data available at SUNY as well as problems we identified at the two centers we visited. In addition we are not characterizing the entire EOC program as ineffective, but rather we are identifying problems of management and oversight by Central OSP that must be addressed by SUNY to ensure the most efficient and effective use of limited resources.)

Center Renovation Project

To achieve our study objective of evaluating the cost and the effectiveness of selected EOC programs, our methodology included an examination of program expenditures. During our visit to the Brooklyn Center, this examination revealed that the Center had undertaken a costly renovation project. Our review of the transactions, contracts, lease agreement and other Center documents related to the renovation disclosed that between September 1, 1986 and

December 31, 1991, about $1 million in State funds was spent without significant benefits received.

In 1983, the Director of the Brooklyn EOC began efforts to renovate part of the Center's rented facility at 470 Vanderbilt Avenue to add 15,000 square feet to the 75,000 square feet the Center already rented. The Center Director estimated that the proposed renovation would cost about $1.5 million. SUNY OSP officials indicated to the Director that up-front funds would not be available because of budget constraints. To accommodate the Director's plans, however, OSP officials (different officials than those currently in office) allowed the Center to accumulate $650,000 in unexpended operating funds in the 1984-87 fiscal years. The Center reported these unspent funds as encumbrances on monthly expenditure reports submitted to OSP. These actions were inconsistent with the contract agreement between SUNY and the sponsoring college which requires the return of unexpended funds to SUNY. (SUNY officials indicated that of the $650,000 in unexpended operating funds, $266,000 had been provided specifically for the renovation project.)

In order to further increase funding for the renovation, the Center Director negotiated a lease with the landlord effective September 1, 1986 in which the landlord agreed to provide the Center with a loan of $450,000 to do the renovations. The lease also stipulated that $1,100,000 ($650,000 from the Center's savings and the $450,000 loan from the landlord) would be deposited and held in escrow by an agent chosen by the landlord to pay for the renovations. The lease went into effect September 1, 1986, and annual lease costs increased from $180,000 to $421,000, or more than twice the previous rate. The repayment of the loan to the landlord was incorporated in the annual lease payments.

On March 26, 1987, an escrow agreement was signed by the landlord and the Center Director and witnessed by an official from the CUNY counsel's office. The landlord designated his real estate attorney as escrow agent. In April 1987, the Center deposited $1.1 million into the escrow account, and subsequently deposited an additional $100,000, for a total of $1.2 million.

On March 30, 1987 the landlord entered into a contract with a construction firm (contractor) to do the renovation. In July 1988, the landlord voided the contract, alleging that the contractor was not progressing according to contract terms. The contractor countersued, and the parties agreed to take the matter to arbitration. The arbitration proceeded through 1990 until the landlord, on the advise of his attorney, initiated a settlement of $200,000, which was paid in February 1991. As of November 30, 1991, though virtually none of the

renovations had yet been done, the Center Director had authorized payments from the escrow account totaling over $626,000 for the following:

- $157,300 initial payment to the prime contractor for some demolition and design work;

- $26,000 to other contractors for asbestos removal;

- $125,000 in fees to the landlord's attorneys;

- $93,400 in fees for or on behalf of the escrow agent;

- $200,000 in arbitration settlement costs; and

- $24,675 in miscellaneous costs related to the arbitration.

Thus, over $626,000 of State funds had been spent with no additional usable space provided.

In addition, the lease agreement did not protect the State's interests by making increased lease payments contingent upon the Center's occupancy of the fully renovated area. We calculated that, as a result, between September 1, 1986 and December 31, 1991 the State paid almost $500,000 in lease payments for space the Center could not use. This amount is the difference between the annual rate the Center had paid to occupy 75,000 square feet under the old lease and the rate under the new lease multiplied by the number of years the increased lease costs were paid. To be conservative, we adjusted the cost of the old lease for inflation before comparing it to the costs of the new lease.

During the audit OSP officials contended that the $626,000 discussed above should more properly be $600,000 because the $26,000 expenditure for asbestos removal was beneficial and necessary to the Center. Also concerning the increased lease payments, OSP officials have used an alternative method of calculation and determined the increase to be about $380,000 compared with our calculation of $500,000. Regardless of the methodology used and the resulting amounts, the bottom line is that about $1 million was spent with no additional usable space provided.

We also found the following other problems related to the leases and the escrow account that need to be addressed by management.

- In the prior lease agreement which ended August 31, 1986, the Center had paid the landlord 10.2 percent of the landlord's real estate

taxes, based on the Center's percentage of occupancy in the building. The current lease redefined the Center's proportionate share of real estate taxes as 22.25 percent although the Center continues to occupy the same amount of square footage as before. This change increased the State's costs by nearly $90,000 between September 1, 1986 and June 30, 1992.

- The current lease provides that the loan repayment be included in the total annual lease payment, which was increased by 20% beginning September 1991. In each of the remaining four years, the lease payment is to be increased by an effective rate of 4%. We believe the $90,000 loan repayment should have been deducted from the annual lease payment prior to calculating the amount of the increase since the loan repayment should remain constant over the term of the lease. However, this was not done and we calculated that between September 1, 1991 and January 31, 1992, the Center thereby overpaid the landlord $7,500, with potential overpayments totaling $135,000 during the lease period which expires in August of 1996.

(SUNY officials disagree with our position that the manner in which the loan repayment was incorporated in the lease results in overpayments to the landlord. They stated that the lease escalation factor was applied only to the portion of the lease related to the space rented. Based on our review of the lease and related documents, we conclude that the escalation factor was applied to the total lease payments including the loan portion. We therefore believe that our position, as stated above, is correct and we urge SUNY officials to consider the potential overpayments in their ongoing negotiations with the landlord.)

- The landlord deposited the $450,000 loan in the escrow account in April 1987, eight months after the Center began repayment of the loan. Thus, the Center spent $60,000 ($90,000 annual loan repayment divided by 12 months equals monthly loan repayment, times 8 months equals $60,000) in loan repayments prior to having actually received the money.

- The Center did not remit to the State $250,000 interest earned on the escrow account, as required by the contract between SUNY and the sponsoring college.

- In the fall of 1989, well after the termination of the renovation contract, the landlord and the Center Director dissolved the original escrow agreement. At that time, SUNY and CUNY college officials should have ensured that the $1 million balance in the escrow account was returned to the State. Such action was not taken;

rather, the landlord and Center Director established a new escrow agreement authorizing payments for new projects.

• The Center did not maintain proper accountability over the escrow account. Center officials could not provide us with information we requested about the balance of funds in the escrow account, or the amount of unpaid bills outstanding against the account. Although OSP officials subsequently provided us with account information, the lack of data available at the Center indicated that Center officials were not monitoring the escrow account activity.

We question the reasonableness and propriety of the transactions surrounding the Brooklyn EOC renovation project and recommend that consideration be given to initiating recovery of the funds spent for which the Center and SUNY received little or no tangible benefits. Further we understand that the Center is renegotiating its lease with the landlord. SUNY officials should attempt to resolve the issues we have identified under the existing lease before allowing a new lease to go into effect.

(SUNY officials stated, "With respect to the problems identified in the Brooklyn lease, personnel from the Office of Special Programs, again working jointly with City University officials, have met with the landlord in an attempt to recover overpayments for the unfinished space, excess real estate taxes, the costs associated with the arbitration and the costs of any renovations that constitute permanent improvements to the facility and therefore benefit the landlord. While the landlord has made a counter-offer, it has not been accepted as it does not address all the issues raised." Officials also stated, "The University has no plans to initiate a new lease in the same location when the current lease expires in 1996.")

Recommendations

1. Do not allow centers to accumulate unexpended operating funds.
2. Review centers' contracts to ensure that they are proper and in the best interests of the State.
3. Initiate recovery of funds spent without benefit to the Brooklyn Center.
4. Resolve the issues identified under Brooklyn's existing lease.

Monitoring Program Results

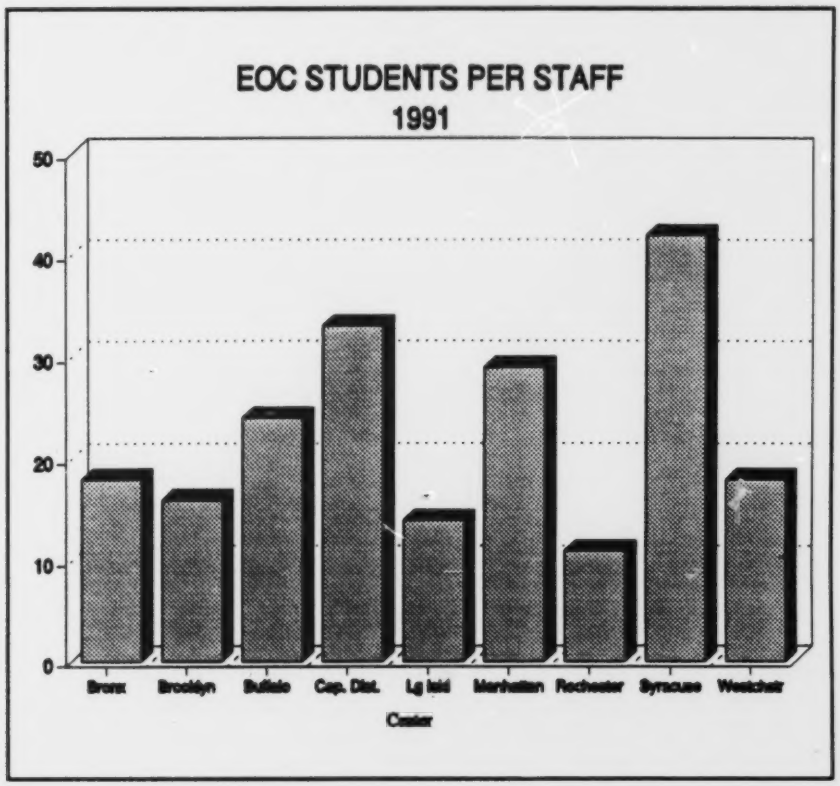
We believe that inadequate oversight of EOC programs by SUNY OSP and sponsoring colleges is responsible for wide variances in staffing and performance. OSP has yet to establish center budget guidelines to relate staffing needs to student enrollment. OSP has not set performance standards by which to measure success and does not hold centers accountable for achievement of the program's objectives. In addition, comprehensive visits to the centers are needed to observe program operation, confirm reported data and determine the causes of poor performance.

(Although SUNY officials agree with the need for greater program oversight to enhance program outcomes, they point out that there are local factors affecting an individual center's relative cost and performance that must be considered.)

Center Staffing Levels

SUNY's OSP is responsible for allocating funds to the centers from annual appropriations and has total discretion in making these allocations. Budgets should be based on student enrollments according to the General Plans and Guidelines for the Educational Opportunity Centers of SUNY, issued by OSP in 1986-87. Apparently, however, OSP has not established specific guidelines to follow in accomplishing this objective.

For the year ended June 30, 1991, personal service costs of $24 million accounted for about 80 percent of the program's total costs of $30 million. We analyzed and compared center staffing levels (teaching and administrative staff) for the same year by determining the number of full-time equivalent EOC staff at each center, and the number of enrolled students per staff. Our analysis disclosed wide variances in staffing levels, as illustrated in the following graph.



The greatest disparities existed between the Rochester Center, where 11 students per staff was nearly four times less than the 42 students per staff at the Syracuse Center. Given that staffing costs account for about 80 percent of each center's budget, high staffing levels will drive up a center's operating costs. For example, both the Manhattan and Brooklyn Centers have similar enrollments. However, during the year ended June 30, 1991, Brooklyn spent $2.7 million more than Manhattan, mainly because of its comparatively higher staffing levels.

Recommendation

5. Establish staffing guidelines and ensure that centers comply with them.

Accountability For Program Performance

For the 1989-90 funding year, the Legislature directed SUNY to identify specific performance objectives for the program. In addition, in an audit report issued in September 1987 (Report 87-S-127), we recommended that SUNY establish measurable performance standards to evaluate program effectiveness. We found that OSP has not established measurable performance standards and has done little to hold the less effective centers accountable for their lack of productivity.

(SUNY officials stated that they have developed a formula to identify weak programming and relative effectiveness but have not yet developed performance standards.)

Our analyses of program outcomes and costs (as reported by the centers) for the three years ended June 30, 1991 showed wide variances not only in program successes of the centers, but also in cost effectiveness. For example, while statewide rates (the average of all 9 centers) of program completion (calculated as a percentage of student enrollment) averaged 36.5 percent, completion rates for this period ranged from 21.7 percent at Manhattan to 51.1 percent at Westchester. The cost per student program completion also showed wide variances, ranging from $2,966 per student at Syracuse to $8,564 at Rochester.

We also found that increasingly fewer EOC students are getting jobs. At the Long Island Center, for example, reported job placements dropped from 142 in the 1988-89 year to only 29 in 1990-91. In addition, for the three years ended June 30, 1991, the nine centers on average reportedly placed only 21 percent (3,154 of 15,334) of total enrolled vocational students into jobs. Also, certain centers were reportedly far less effective than others in placing students into jobs. For example, Brooklyn reported having placed only 7 percent of its enrolled vocational students for this period, compared to 38 percent at Buffalo.

(SUNY officials stated, "The negative trend in employment outcomes bears an obvious relation to the overall economic downturn affecting job seekers at all levels of preparation in all parts of the state.")

We believe the variances in operating results clearly demonstrate the need for OSP to thoroughly examine center programs to determine what can be done to help the centers improve program effectiveness.

In its 1989-90 report to the Legislature, OSP stated that job placement was one of the program's main objectives, and acknowledged the significant decline in job placements as a percentage of vocational program completions from 74 percent in 1987-88 to only 40 percent

in 1989-90. Although OSP indicated the need for a structured action plan, it had still not developed such a plan at the time of our review.

Furthermore, in its 1990-91 final report to OSP, the Rochester Center stated that "for the past three years, SUNY's OSP has informed us that it would be promulgating performance standards for centers.... To date such standards have not been forthcoming, and little additional information is available." The Rochester report characterized the statistics on statewide program outcomes as undeniably grim, and concluded that issues of accountability and performance standards are a central and pressing concern.

Recommendations

6. Establish performance standards for program outcomes.
7. Develop action plans to improve centers' placement outcomes.
8. Make center directors and staff accountable for achieving program objectives.

Site Visits

We believe that site visits by program administrators are essential to confirm reported program results and to obtain a better understanding of center operations. OSP officials can observe the conduct of the operation, hold discussions with officials and staff, and review center records.

Our review of OSP records indicated that OSP officials do make visits to most of the centers. However, we found that during the two year period ended March 31, 1991, OSP officials did not visit the Long Island Center, although the Center reported a significant decrease in job placements. Furthermore, an official at the Capital District Center told us that, for the last three years, OSP officials have neither visited the center nor provided any feedback on any of its reports.

We also found that the visits to the centers were generally limited in scope and fairly brief. In some cases, the purpose of the visit was to attend functions and ceremonies of the center. In other cases, OSP officials had discussions with center directors, staff and students; however, they did not perform detailed reviews of program operations and records. Furthermore, OSP officials issued no reports as a result of these visits; they stated that they made informal recommendations to the center directors. We believe that OSP officials must

perform comprehensive site visits to determine the effectiveness and efficiency of center operations.

Recommendations

9. Conduct comprehensive site visits sufficient to evaluate program operations.

10. Provide the centers with specific written feedback on results of site visits.

Brooklyn and Manhattan Center Programs

To assess the comparative effectiveness of programs statewide, we determined the rates of program completion, job and college placement and attrition for all nine EOC program sites for the three year period ended June 30, 1991. We also compared costs per program outcome. Our analyses showed that the Brooklyn and Manhattan Centers were among the most costly and least effective programs in the state. We visited these centers, both to observe program operation and to confirm the results of our analyses.

The Brooklyn EOC is sponsored by the New York City Technical College, a CUNY institution. The Manhattan EOC is sponsored by the Borough of Manhattan Community College, also a CUNY institution. During the program year ended June 30, 1991, Brooklyn had an enrollment of 1,974 students and expended $6.5 million. During the same period, Manhattan Center had 2,189 students and expenditures of about $3.8 million.

Brooklyn Center

Our analyses showed that the Brooklyn Center was, for the last three years, the most costly but the least effective of the nine centers. Brooklyn ranked highest in cost per job placement, averaging $42,056 per student for the three-year period ended June 30, 1991. For the same period, this center had placed only 7 percent of its vocational enrollment in jobs.

In December of 1986, a Brooklyn Center official wrote OSP a detailed letter expressing his concern about serious problems at the Center which dated back to 1983. Our review indicated similar problems still exist. For example it was alleged by the Brooklyn official that the Center had a liberal student attendance policy which allowed students to be absent once a week, and to re-enroll after dropping out. Thus, students who had missed up to eight weeks of a 17-week semester were certified as having met the academic requirements

of a program. Our review of the Center's current attendance policy indicated that Center practices are much the same today as in 1986.

It was also alleged by the official that Center Placement Services officers limited their help to calling the New York State Employment Service, or advising students to read newspaper want ads. Our review indicated that guidance in job searches still appears to be minimal.

Both OSP and sponsoring College officials should take decisive action to identify and correct this center's problems. Low success rates are discouraging to students; moreover, a chronically ineffective program does a disservice to the community it should be committed to serve.

(SUNY officials stated, "These concerns, in combination with the delays in the renovation project, were the impetus that resulted in direct University involvement in the operation of the Center, the arrangement of retirement for the Director, disciplinary actions against chronically absent faculty, termination of low-demand programs, reassignment of faculty and the institution of five new programs.")

Recommendation

11. Take action to improve performance at the Brooklyn Center. Conduct periodic follow-up reviews of the Center to assess operations and to ensure that improvements continue to be implemented.

Manhattan Center

Our analyses of program outcomes for the three years ended June 30, 1991, showed that the Manhattan Center has been one of the more costly yet less effective centers. For example, Manhattan ranked fourth in reported attrition (drop-out) rates, averaging 34 percent per year. The Center also ranked third highest in cost per program completion.

Moreover, the relevance of the Center's training in obtaining some students' placements is arguable. According to the Manhattan Center's annual report for the year ended June 30, 1991, 35 of the 89 job placements (nearly 40 percent) were graduates of the Center's Home Health Care Program. However, since Center graduates must complete the very same training as hirees without any previous instruction for certification as home health care workers, we question

the Center's use of resources to provide training which appears to be unnecessary to obtain this job.

We also identified that six of the 61 students reported as college placements during the year ended June 30, 1991 had been reported as college placements the previous year. These students were having problems with their college courses and returned to the Center for additional training. Two of the six students were back at the Center for the third time. We also contacted college officials to verify enrollment for a judgmental sample of 15 of the 61 reported college placements. Officials told us that eight (more than 50 percent) of the 15 students were either no longer enrolled or had never enrolled at their college.

The Center reported that 549 students had dropped out of Center programs during the fiscal year ended June 30, 1991. However, we found that 69 more students had dropped out but had not been reported to OSP.

Recommendation:

12. Take action to improve performance at the Manhattan Center. Conduct periodic reviews to assess operations and to ensure that improvements continue to be implemented.

Reported Student Accomplishments

Centers are required to submit to OSP and the sponsoring colleges monthly and annual reports on student enrollment, program completions, job and college placements and attrition rates. Accurate reports are necessary to keep OSP, college and center officials informed both on the centers' progress and of its problems. Moreover, OSP is required to compile data on center program outcomes and submit annual reports to the Legislature. These reports must be accurate to keep the Legislature informed on the status of program success, and to guide legislators in making program funding decisions.

However, in our verification of data during our on-site reviews at Manhattan and Brooklyn Centers, we found substantial inaccuracies in the centers' annual reports to OSP. These inaccuracies significantly overstated the centers' accomplishments in job and college placements, and program completions.

For the year ended June 30, 1991, Manhattan Center reported a total of 517 positive outcomes (completed programs and placed students). We found that this number was 175 more than actually occurred. Thus, the Center's annual report overstated these statistics by about 50 percent (175 divided by 342) as follows:

Positive Outcomes	Reported By Center	Verified By OSC	Difference
Program Completion	367	213	154
Job Placement	89	74	15
College Placement	61	55	6
Totals	517	342	175

We found that, for 175 of the 517 positive program outcomes reported there was no documentation to support the accomplishment or that it was reported in error. For example, of the 15 improperly reported job placements, the Center could not find documentation to support five, another five students had graduated from the Center in a prior year, four students had dropped out of the program and one student had been reported twice.

Manhattan Community College officials approve Center program reports by signing them, yet do nothing to confirm or verify that information on the reports is accurate. OSP also takes no action to ensure that reported statistics are accurate.

In addition, per OSP direction, the centers report as continuing students those students who have not completed their program but have not dropped out as of the end of the program year. However, many of these students do not return to the centers in the fall, and OSP does not require the centers to update the previously reported continuing student data to reflect this attrition. As a consequence, reported attrition rates may be significantly understated, which could lead to faulty program decisions. At Manhattan, for example, 1,123 students were reported as continuing as of June 30, 1991. However, we found that in the fall of 1991, 452 of these students did not return to the center. Had these 452 non-returning students been included in Manhattan's attrition rate for 1990-1991, this rate would have increased significantly from 25% to 46%

For the three years ended June 30, 1991, the Brooklyn Center reported that 3,029 students completed the requirements of a program, which ranked it the second highest in the State in the rate of program completions. However, we found that the Center reported significantly more completions than it should have. For example, of the 1,600 reported vocational program completions, we found that only 468 students received the certificate from the Center signifying they had completed program requirements. The remaining 1,132 reported vocational program completers received only a letter of attendance signifying that they did not meet the requirements of their programs, but were recognized by the Center for having attended class. By reporting these students as program completers, the Center grossly overstated program accomplishments.

In addition, the Center reported all 1,429 non-vocational students (academic/remedial) who received a letter of attendance as program completers. Center officials stated it is their policy to award only letters of attendance to non-vocational students. We suggest that the Center revise its policy to issue both certificates of completion and letters of attendance to non-vocational students, as appropriate. This would preclude any misinterpretation of the Center's reported program results.

Efforts must be made to ensure the accuracy of reported program statistics. Inaccurate data could easily lead center and OSP management to make unjustified decisions affecting the centers' programs.

Recommendations

13. Ensure the centers report program results accurately.

14. Require the centers to adjust continuing student data and related attrition rates to reflect those students who do not return to the centers in the fall.

15. Require the Brooklyn Center to issue both certificates of completion and letters of attendance to non-vocational students, as appropriate.

Major Contributors to This Report

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Division of Administrative Affairs

June 29, 1993

Mr. John T. Walsh
Audit Director
Office of the State Comptroller
The State Office Building
Albany, New York 12236

Dear Mr. Walsh:

In accordance with Section 170 of the Executive Law, we are enclosing the comments of State University of New York regarding the Staff Study on the Educational Opportunity Center Program, State University of New York (93-D-16). For informational purposes, we will forward under separate cover the comments of the two Centers included in the Study.

Sincerely,

Harry K. Spindler
Senior Vice Chancellor
Division of Administrative Affairs

Enc.

RESPONSE TO STAFF STUDY REPORT 93-D-16

General Comments

As background to our response to the staff study of the Educational Opportunity Centers, we must point out that the Educational Opportunity Centers represent a large and complex operation that is unique within the University and the state. Operating in geographically dispersed sites, serving 14,000 students and employing more than 860 staff, represented by at least seven different unions, these Centers are subject to a variety of state, county and New York City regulations and require contractual agreements with a variety of SUNY campuses, community colleges and the City University of New York. Their basic operation requires detailed attention in a wide range of areas from fiscal and cash flow management to negotiation of long-term and often complicated facility leases, to the nuances of employee relations across collective bargaining units and an extensive list of other issues. Each year they produce more than 275 written plans and reports that are received in the Office of Special Programs for review and analysis. Fiscal management requires approximately 16 certificates and between ten and twelve contracts and amendments per year as well as the careful monitoring of ten individual budgets.

Staffing patterns within the Office of Special Programs, remain a concern with only one professional staff person and one secretary presently assigned to Educational Opportunity Centers on a full-time basis. Budget constraints preclude the availability of data clerks, program assistants or like staffing that would provide assistance in data analysis, program review or handling of routine matters of operation. While the Office of Special Programs has been effective in establishing good working relations with other Central Administration offices that provide assistance in some of these matters, the unique nature of the Centers often means that what would be a simple issue for another SUNY unit presents significant challenges and complications. As an example, one of the unions representing faculty within the Centers recently approached the University with concerns regarding the status of EOC faculty. The resolution of this matter involved gaining the concurrence of four sponsoring campuses, each with its own concerns; the faculty at large; employee relations specialists and the union through a lengthy series of meetings and correspondence exchange. While this issue appears to be close to resolution, a similar process must be carried out for faculty represented by other units -- with concerted effort to obtain consistent results despite completely different participants in the deliberations.

The Office of Special Programs recognizes that the Educational Opportunity Centers, like any endeavor, can be improved and it concurs with the auditors that during the period of review one Center may have been judged ineffective. It does not concur that the Centers as a whole are ineffective. The University has, itself, sought to identify an appropriate statistical measure by which to determine effectiveness in serving the deeply disadvantaged population that enrolls in the Educational Opportunity Centers and has found a lack of comparable institutions serving a comparable population that may serve as a standard. We do know that over the past several years the aggregate performance of the Centers in retention and completion has equaled or exceeded that reported by the American Council on Education as the rates found at two-year institutions using an open admissions policy. We also know that thousands of students formerly mired in poverty, welfare dependency and hopelessness have gained the ability to support themselves and their children through the agency of personnel working in Centers across the state.

We recognize that the auditors have a responsibility to identify issues and items for correction and to make recommendations. We welcome this role when carried out in the spirit of improving state services. We find the actual recommendations provided reasonable and, for the most part, consistent with the philosophy, approach and actions of the Office of Special Programs' current administration. However, we do hold some concerns that the study may have the effect of casting a long-established program, dedicated to serving the poor, in a negative light. Further, the singular focus on two Centers tends both to present an unbalanced picture of Educational Opportunity Centers as a whole and to highlight negative findings.

I. The Brooklyn Center Lease and Renovation Project

A significant portion of the study report focuses upon the difficulties associated with carrying out the renovation of the Brooklyn Center facility located at 470 Vanderbilt Avenue.

The University acknowledges that there were long delays in executing the renovations of the Brooklyn Center as originally negotiated with the landlord in 1984-86. When the planned renovations had not taken place by 1988, two years after the signing of the agreement, the University directly intervened. The uncorrected conditions within the Center had, by that time, begun to present health and safety hazards to the students and staff and performance issues had become clear. As an outcome of the work of a task force appointed by the president of New York City Technical College, the Center director resigned and an employee of the Office of Special Programs was sent to Brooklyn to act as director. In addition, the Associate Vice Chancellor for Special Programs, who was a principal participant on the task force, undertook the resolution of the Brooklyn problem as a personal project and traveled weekly to Brooklyn to work with the acting director. Together, they were able to complete the arbitration procedure and make immediate corrections to the

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physical environment, ensuring that elevators were safe, heating was adequate and that the facility was, though no larger, a conducive environment for working and learning.

Within the Office of Special Programs, the experiences associated with the Brooklyn renovation resulted in the development of a more formal process for the negotiation and execution of facility leases for Educational Opportunity Centers. Though all such leases are signed by the president of the sponsoring college, there has developed a close working relationship between the Office of Special Programs and the City University's Real Estate division. In the years since 1986, this relationship has resulted in the successful negotiation of several leases, including a number with renovations clauses.

With respect to the problems identified in the Brooklyn lease, personnel from the Office of Special Programs, again working jointly with City University officials, have met with the landlord in an attempt to recover overpayments for the unfinished space, excess real estate taxes, the costs associated with the arbitration and the costs of any renovations that constitute permanent improvements to the facility and therefore benefit the landlord. While the landlord has made a counter-offer, it has not been accepted as it does not address all the issues raised.

The University has no plans to initiate a new lease in the same location when the current lease expires in 1996.

Specific Clarifications

> Report Statement: *To accommodate the Director's plans, however, OSP officials (different officials from those currently in office) allowed the Center to accumulate $650,000 in unexpended operating funds in the 1984-87 fiscal years.* (p.4)

While the Center did deposit approximately $384,000 in savings into the escrow account, $266,000 was provided as a lump sum, specifically for renovations costs. As facility costs constitute a cost of program operation and are allowable under the contract, we view renovations as appropriate operating costs.

There was no yearly over-funding of the Center. Yearly funding was provided to maintain program services despite the necessity for expenditures on the physical plant. The University neither planned for nor even anticipated that the renovation project would meet with delays lasting more than one fiscal year.

> Report Statement: *"Over $626,000 of State funds had been spent with no additional useable space provided ...."* (p.5)

While the initial statement is accurate in that the expenditures made did not fully prepare additional space for use, $183,300 of the amount was spent on design, demolition and asbestos removal. Design and demolition represented the first stages of the renovation project while the removal of asbestos was necessary to address an identified health hazard. The remaining $442,700 were costs directed to be paid as an outcome of the arbitration and were necessary to terminate the relationship with the contractor.

> Report Statement: *We believe the $90,000 loan repayment should have been deducted from the annual lease payment prior to calculating the amount of increase since the loan repayment should remain constant over the term of the lease.* (p.6)

The $450,000 loan provided by the Center landlord was amortized over the ten-year period of the lease with payments structured much like a mortgage payment schedule. In such a payment structure, there are no annual lump sum repayments of principal as suggested above. Lease escalations represented anticipated inflationary increases and were stipulated in dollar amounts per square foot. They had no relation to the outstanding balance on the loan.

II. "Inadequate Monitoring Results in Significant Program Variances"

A central premise in this section of the study report is that the existence of variances in cost, staffing patterns and performance from one geographic area to another are indicative of poor performance and poor monitoring. All three variables are affected by a number of independent factors (e.g. collective bargaining agreements vary with sponsorship entities and result in differing levels of compensation and contact hours, each locality across the state presents its own economic realities affecting placement rate, differing program offerings produce differing outcomes).

It should also be noted that like any organization utilizing a unionized staff, both the State University and the City University are constrained in their ability to make sweeping changes in staffing patterns. However, in the last two years, the offering of early retirement incentives has resulted in the reduction of permanent staff at the higher levels of compensation, particularly in the downstate Centers. This, in combination with staffing reductions of the last three years, has brought changes in staffing patterns throughout the state. Nevertheless, differences from Center to Center will remain.

Specific Clarifications

> Report Statement: *"Budgets should be based on student enrollments according to the General Plans and Guidelines*

for Educational Opportunity Centers issued by OSP in 1986-87 ... however, OSP has not established specific guidelines to follow in accomplishing this objective." (p.7)

Enrollment objectives for each Center were established in 1983. Because these objectives can no longer be assumed to reflect either demand patterns in various localities nor budget growth during the period since their establishment, the Office of Special Programs has used these figures only as a general guide, rather than a funding formula. However, Centers have been expected to maintain the basic existing relationships between budget and enrollment. The Office of Special Programs hopes to have available new enrollment targets during the 1993-94 academic year, however, they will serve as performance measures and will not be used as a funding formula.

Report Statement: *"OSP does not hold Centers accountable for program performance."* (p.9)

The Office of Special Programs has struggled with the determination of appropriate performance standards for educational institutions serving an adult and deeply disadvantaged population. There are no like institutions and little data on what may be said to constitute success. Because the numbers of the needy in the areas served by Centers vastly exceed their capacity, a major factor in judging Centers was, for many years, the degree to which they used their resources to provide access and to serve newly emerging needs. This resulted in the introduction and growth of remedial programs, English As A Second Language programs and the establishment of new centers and satellites.

The emphasis on outcomes, their analyses, examination and improvement began in 1987-88, when reporting requirements were re-designed to separate students enrolled in remedial programs from those enrolled in vocational programs or programs leading to high school equivalency or college entry. In the following year, while searching for a standard against which to judge the performance of the Educational Opportunity Centers, the Office of Special Programs obtained national data on retention and graduation rates among institutions of higher education. Choosing the performance rates at two-year community colleges using open admissions policies, the aggregate performance of Educational Opportunity Centers was compared to that of these institutions and found equal or better in retention and graduation.

By 1991, each Center's individual performance was being assessed against the aggregate performance as well as its own past performance and problematic areas identified for correction. Because it became clear that a Center's total outcome has a direct relationship to the mix of program offerings at a given Center, an assessment formula was derived to identify weak programming and to rank existing programs in order of relative effectiveness on three dimensions:

$$\text{Rating} = \frac{\text{Enrollment}}{\text{Capacity}} \times \frac{\text{Retention}}{\text{Enrollment}} \times \frac{\text{Positive Outcome}}{\text{Completion}}$$

This information was presented to auditors as was information received from the Centers.

While the Office of Special Programs has not established a specific performance target for each Center, the activities above represent significant steps.

> Report Statement: *"We also found that increasingly fewer EOC students are getting jobs."* (p.9)

The negative trend in employment outcomes bears an obvious relation to the overall economic downturn affecting job seekers at all levels of preparation in all parts of the state.

> Report Statement: *"In addition, for the three years ended June 30, 1991, the nine Centers on average reportedly placed only 21 percent (3,154 of 15,334) of total enrolled vocational students into jobs."* (p.9)

While this statement is, on its face, accurate, it tends to oversimplify the relation of placement to enrollment. Our analysis of the three-year period indicates that of the total number of students enrolled in vocational programs (15,265), an aggregate 46 percent were successful in completing their programs. The remainder either dropped out (4,780) or remained for further study (3,522). Measuring the three-year job placement (3,368) number against the number of completions (i.e., 6,963 students who could be said to be job ready) shows a placement rate of 48 percent.

> Report Statement: *"Although OSP indicated the need for a structured action plan, it still had not developed such a plan at the time of our review."* (p.9)

The Office of Special Programs has carried out extensive analysis of program outcomes, despite the absence of comparable data upon which to base performance standards. Several conclusions regarding the need for program change and development were shared with the auditors as were letters that had been sent to each Center, identifying strengths and weaknesses and calling for corrective action plans where appropriate.

Since 1988-89, the Office of Special Programs has sought to concentrate training in the high demand health-related fields and to re-design college preparation

courses to target high-demand technical college majors. These efforts have been limited by budget reductions occurring annually since that year.

Report Statement: *"Comprehensive site visits are needed."* (p.10)

While the Office of Special Programs recognizes the value and importance of site visits, staffing limitations and the demands of overall administration have made it difficult to carry out frequent site visits of an extended duration. Further, the sponsorship model, in which each Center is under the supervision of an institution of higher education in its immediate locality is designed to provide on-site, day-to-day supervision. Where specific need has occurred, however, the Office of Special Programs has carried out extended on-site reviews.

It should also be noted that the Office of Special Programs maintains an ongoing schedule of Directors' meetings, held in Albany, at which both system-wide issues and specific problems of operation are discussed and action plans developed. These quarterly meetings have in the last year been enhanced by the existence of a Directors' Council, constituted of the Educational Opportunity Center administrators formed to further identify Educational Opportunity Center issues and make recommendations to the University.

III. "Brooklyn and Manhattan Center Programs Are Relatively Costly and Ineffective"

The relative high cost of the Brooklyn and Manhattan Centers has direct relationship to their location in New York City, the collective bargaining agreement under which the employees function and the longevity of their staff. Specifically: (1) Salaries, like other costs of operation are higher in New York City than in other parts of the state; (2) Collective bargaining agreements tend to be more liberal (e.g., contact hours are more stringently limited, problematic employees are more difficult to remove). As an illustration of the cost differences that can occur between New York City and the remainder of the state, the recent PSC and DC 37 contract settlements contained provisions for salary increases retroactive to 1990; (3) Because both Centers are among those originally established and turnover has been minimal, they each have a significant number of long-term employees who are at the top of their pay scales.

The recent provision of early retirement incentives negotiated with CUNY by the University, have produced some reduction in personnel costs in both Brooklyn and Manhattan, however, many employees remain reluctant to retire due to the resulting loss in health care coverage.

We agree that the Brooklyn Center has evidenced performance problems and has been, in fact, the least effective of the nine Centers. We question whether ranking

fourth in reported attrition is sufficient evidence to warrant a similar characterization of the Manhattan Center.

With further respect to Brooklyn, we wish to point out that the recent appointment of a new director and the removal or retirement of a number of long-term employees has provided a fresh perspective and eagerness to correct long-standing problems.

> Report Statement: *"During the program year ended June 30, 1991, Brooklyn had an enrollment of 1974 students and expended $6.5 million. During the same period, Manhattan Center had 2189 students and expenditures of about $3.8 million."* (p.11)

Admittedly, the differences in the two Centers budgets, when viewed in the context of similar enrollments, appear extreme. As indicated several times in this response, the Brooklyn Center faces high operating costs in every area, but has been limited in its capacity to increase enrollment. Over the years, this Center has also developed an elaborated administrative structure that is uncharacteristic of Educational Opportunity Centers. Conversely, Manhattan Center, though subject to a number of the cost factors particular to New York City, has the advantage of its location in a state building at no cost and of the policy, established some years ago by its director, of using adjunct faculty rather than full-time employees. Though similarly constrained by its current facility, these advantages permit the Manhattan Center to operate at a much lower cost -- one approximating the cost of operation at the Center in Troy.

> Report Statement: *"In December of 1986, a Brooklyn Center official wrote OSP a detailed letter expressing his concern about serious problems at the Center which dated back to 1983. Our review indicated that similar problems still exist."* (p.12)

These concerns, in combination with the delays in the renovation project, were the impetus that resulted in direct University involvement in the operation of the Center, the arrangement of retirement for the Director, disciplinary actions against chronically absent faculty, termination of low-demand programs, reassignment of faculty and the institution of five new programs.

Response to Recommendations:

1. Do not allow Centers to accumulate unexpended operating funds.

   The accumulation of funds that occurred in connection with the Brooklyn renovation was an unintended outcome of the delays. It is not the policy of the University to permit such accumulations.

2. Review Centers contracts to ensure that they are proper and in the best interests of the State.

   Since 1987, all leases have been subjected to an extensive review procedure involving both State University and City University administrative offices. Contracts other than leases are subject to City University legal review. Though contracts tend to represent small commitments of resources, the review process will be adapted to include a SUNY review.

3. Initiate recovery of funds spent without benefit to the Brooklyn Center.

   Negotiations with the landlord were resumed in late 1992, after preliminary discussions during 1990-91. The landlord has already made one offer and further negotiations are anticipated.

4. Do not sign a new lease until the issues identified under the Brooklyn's existing lease are resolved.

   The University has no plans to sign a new lease at the 1996 expiration of the current lease. Any new agreement before that time would have, as its only purpose, addressing the identified issues of the renovation project.

5. Establish staffing guidelines and ensure that Centers comply with them.

The Office of Special Programs has established general administrative staffing guidelines in the latest version of the Educational Opportunity Center Guidelines. However, variation among faculty will necessarily occur as a result of differing program requirements (e.g., ESL, Basic Education or certain vocational specialties may require smaller student/faculty ratios than do other courses). Because the primary assessment factor should be the extent to which students are effectively served within the limits of the annual allocation rather than adherence to a particular staffing formula, no specific ratio or target have been promulgated in the academic and student service categories.

6. Establish performance standards for program outcomes.

The Office of Special Programs is working with the Council of Educational Opportunity Center Directors to establish performance standards.

7. Develop action plans to improve Centers' placement outcomes.

The Office of Special Programs will provide overall objectives, recommendations and direction for the improvement of outcomes and will require that specific action plans be developed by each Center. These plans will address enrollment management, retention, completion, and upgrades in students' academic skills as well as job and college placement.

8. Make Center directors and staff accountable for achieving program objectives.

Center directors are held accountable for achieving program objectives as a factor in their performance evaluations. Staff are, in turn, accountable for achieving the objectives specifically related to their program areas. The Office of Special Programs will assure that these factors are considered in the evaluation process.

9. Conduct comprehensive site visits, sufficient to evaluate program operations.

The evaluation of program operations at a given Center is a responsibility shared by Central Administration and the sponsoring college, as outlined in the contract and memoranda of understanding by which the Centers are administered. Specifically, the sponsoring college provides day-to-day on-site supervision. While the Office of Special Programs does carry out site visits and will continue to do so, this activity is not equivalent with evaluation. Visits may occur to identify, explore, resolve issues or to provide technical assistance of a variety of forms. The scope and duration of visits may be expected to vary with purpose and circumstances.

10. Provide the Centers with specific written feedback on results of site visits.

Where visits include a review and related recommendations, written feedback will be provided and follow-up carried out.

11. Take action to improve performance at the Brooklyn Center. Conduct periodic follow-up reviews of the Center to assess operations and to ensure that improvements continue to be implemented.

The Office of Special Programs will continue the action plan already undertaken to improve the performance of the Brooklyn Center. The recently appointed Center director has been working closely with the Office of Special Programs for this specific purpose. Restructuring of administration and faculty, reduction of staff through early retirement and re-design of courses has already increased enrollment by almost 50 percent without addititional resources. Significant increases in student outcomes are also anticipated.

12. Take action to improve performance at the Manhattan Center. Conduct periodic reviews to assess operations and to ensure that improvements continue to be implemented.

The Manhattan Center, like all other Centers, will be required to develop an action plan for the improvement of outcomes.

13. Ensure the Centers report program results accurately.

> The Office of Special Programs will provide training for Center personnel to ensure that reporting requirements are clearly understood and will establish a mechanism for periodic review of documentation.

14. Require the Centers to adjust continuing students data and related attrition rates to reflect those students who do not return to the Centers in the fall.

> Agreed. A mechanism will be incorporated in the 1993-94 Final Report to account for this form of attrition.

15. Require the Brooklyn Center to issue both certificates of completion and letters of attendance to non-vocational students as appropriate.

> In the interest of avoiding confusion and of consistency with policies at other Center across the state, the Brooklyn Center has agreed to eliminate the letter of attendance for any formal use and to issue certificates to students who complete program requirements, whether in vocational or non-vocational program areas.

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